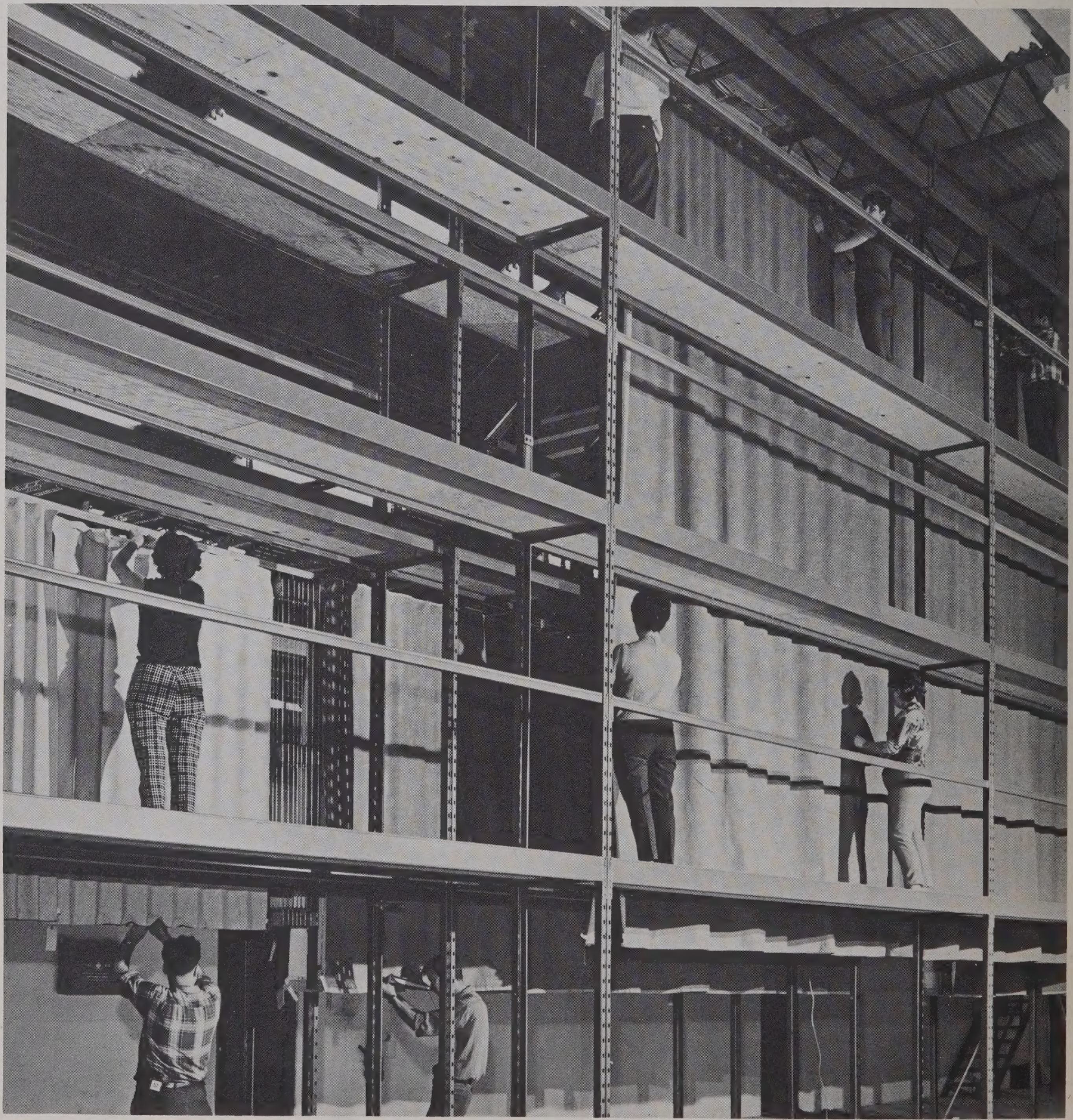
INDAL CANADA LIMITED

ANNUAL REPORT 1969

COVER PHOTO
New anodizing plant of Indalex Limited, Toronto, Ontario.



Four-deck scaffolding facilitates the production of folding fabric doors in the new plant of RAM Partitions Limited, Brampton, Ontario.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Six Months ended April 30, 1970

	Six months ended April 30, 1970	Six months ended April 30, 1969
	(in thousands of dollars)	
SOURCES OF FUNDS		
Net Earnings (Loss) – before Minority Interests	($ 137)	$ 169
Depreciation and Amortization	538	452
Increase in Short Term Bank Borrowing	1,594	1,354
Deferred Liabilities	1,245	(706)
Issue of Shares	10	1,610
Sales of Fixed Assets	1,297	—
Other	—	(7)
	$4,547	$2,872
APPLICATIONS OF FUNDS		
Purchase of Fixed Assets	$ 706	$1,229
Investments	1,310	316
Increase in Working Capital (excluding cash and short term bank advances)	2,297	1,099
Dividends – Preferred Shares	52	55
– Common Shares	95	83
Dividends to Minority Share-holders in Subsidiary Companies	10	15
Deferred Charges	77	75
	$4,547	$2,872

INDAL CANADA LIMITED

OPERATING SUBSIDIARIES AND DIVISIONS

COMMERCIAL ALUMINUM PRODUCTS LIMITED, Toronto

CUSTOM ROLLFORMING COMPANY LIMITED, Toronto

DOMINION ALUMINUM FABRICATING LIMITED, Toronto

EASTLAND METALS LIMITED, Toronto

FASHION GRILLES LIMITED, Toronto

HIALCO-RELIANCE MFG. LTD., Port Coquitlam, B.C.

INDALEX LIMITED, Toronto, Montreal, Calgary, Port Coquitlam, B.C.

INDALPRIME DIVISION, Toronto

INDAL PRODUCTS LIMITED, Toronto

LITE METAL (PRODUCTS) LIMITED, Toronto

MISSISSAUGA ALUMINUM INDUSTRIES LIMITED, Toronto

RAM PARTITIONS LIMITED, Brampton

WESTERN ALUMINUM PRODUCTS, Calgary, Edmonton, Saskatoon

WESTLAND METALS LIMITED, Vancouver, Calgary

INDAL CANADA LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

for the Six Months ended April 30, 1970

Results for the six months ended April 30, 1970 were a loss of $138,388 (20.1c. per common share) and reflect a continuation of the unfavourable economic circumstances and the very serious industrial unrest which since mid-1969 have been adversely affecting business activity in Canada. This is particularly true of new housing construction and consumer spending on home improvement products which represent our largest markets.

These current depressed business conditions have increased the intensity of price competition which, together with many higher costs, has brought lower margins in some areas. These conditions are common to all companies operating in the various markets served by your company. However, we are confident that we have not suffered any reduction in our share of these markets.

Sales, though slightly higher than in the previous year, were well below our original expectations and the present capacity of most of our plants. This also has had the effect of distorting expenses in relation to sales particularly in respect of a number of new activities and expanded facilities which did not exist in the previous year.

Against these disappointing results to April 30 shareholders should keep in mind the traditionally seasonal nature of our business and that approaching two-thirds of our annual sales are normally made in the second six months. The results of the year as a whole are still expected, subject to any further serious deterioration in general economic conditions, to show a marked improvement on the first six months though inevitably profits will now be lower than in the previous financial year.

W. E. STRACEY
President

Toronto, Ontario
June 15, 1970

INDAL CANADA LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

for the Six Months ended April 30, 1970

	Six months ended April 30, 1970	Six months ended April 30, 1969
Sales	$10,859,250	$10,028,665
Cost of Sales	8,944,154	7,930,937
GROSS PROFIT	1,915,096	2,097,728
Expenses	2,353,370	1,787,607
Selling and Distribution	946,184	777,191
Administration	1,113,557	800,832
Financial	293,629	209,584
	(438,274)	310,121
Other Income less Expenses	59,155	38,006
	(379,119)	348,127
Income from Partnership	52,228	—
EARNINGS (LOSS) BEFORE TAXATION	(326,891)	348,127
Taxation	(190,124)	178,694
EARNINGS (LOSS) AFTER TAXATION AND BEFORE MINORITY SHAREHOLDERS' INTEREST	(136,767)	169,433
Minority Shareholders' Interest	1,621	2,419
NET EARNINGS (LOSS) FOR THE SIX MONTHS	($ 138,388)	$ 167,014
Preferred Dividends	$ 52,500	$ 55,000
Average Number of Common Shares Outstanding	949,192	881,521
Earnings (Loss) per Common Share	(20.1c.)	12.7c.

NOTES: (1) The results are unaudited.

(2) The exercise of the outstanding common share warrants and options and the conversion into common shares of the $2,000,000 convertible debentures would not result in significant dilution.

Directors

DENNIS FREDJOHN	Managing Director, Pillar Limited, London, England
ROBERT H. JONES	Executive Vice-President, Investors Group, Winnipeg
ROBERT B. LEESON	President, Westland Metals Limited, Vancouver
J. ROSS LeMESURIER	Vice-President, Wood Gundy Securities Ltd., Toronto
DONALD J. McDONALD	Executive Vice-President, UNAS Investments Ltd., Toronto
AUBREY W. MINSHALL	President, Spacemaker Products Limited, Mississauga
JAMES A. PATERSON	Executive Chairman, Pillar Limited, London, England
HARRY M. RICH	President, Fashion Grilles Limited, Toronto
T. IAIN RONALD, C.A.	Vice-President, Finance, Indal Canada Limited, Toronto
WALTER E. STRACEY	President, Indal Canada Limited, Toronto
WILLIAM R. TUER, Q.C.	Partner, Borden, Elliot, Kelley and Palmer, Toronto

Officers

DENNIS FREDJOHN	Chairman
WALTER E. STRACEY	President
T. IAIN RONALD, C.A.	Vice-President, Finance and Secretary-Treasurer

Head Office

1415 Lawrence Avenue West, Toronto 15

Auditors

COOPERS & LYBRAND — Chartered Accountants

Transfer Agents and Registrars

Preferred shares	Canada Permanent Trust Company, Toronto
Common shares	The Royal Trust Company, Toronto, Montreal, Winnipeg and Vancouver

REPORT TO THE SHAREHOLDERS

For the year ended October 31, 1969

While the year ended October 31, 1969 was not an easy one for your Company, the results show a continuation of the upward trend which has been unbroken since your Company's incorporation. Net earnings before exceptional items amounted to $880,877 (84.2c. per share) compared with $783,149 (81c. per share) for the year ended October 31, 1968 when there was a smaller number of shares outstanding. Earnings for the year are exclusive of an extraordinary item of $22,225 representing a loss on the winding up of a subsidiary as described in Note 14 to the financial statements. An extraordinary credit of $143,029 in the prior year related to the application of tax losses incurred by a subsidiary in years prior to its acquisition. Earnings for the previous year have been restated to reflect a tax charge of $12,177 applicable to that year. Group sales to third parties, at $26,077,348 again reflected a substantial improvement from the $20,760,341 achieved in 1968.

The year, particularly from June onwards, was marked by industrial disputes which affected both customers and suppliers and by anti-inflationary measures which reduced the supply of funds to finance construction and which more recently appear to have affected consumer spending. Much more significantly however during the year under review a number of steps were implemented, referred to later, which had an adverse impact on the year's earnings but which should improve them in the current year and progressively in the future.

Corporate Changes

During the year under review your Company acquired a further 25% of Commercial Aluminum Products Limited, bringing its interest in Commercial to 80%.

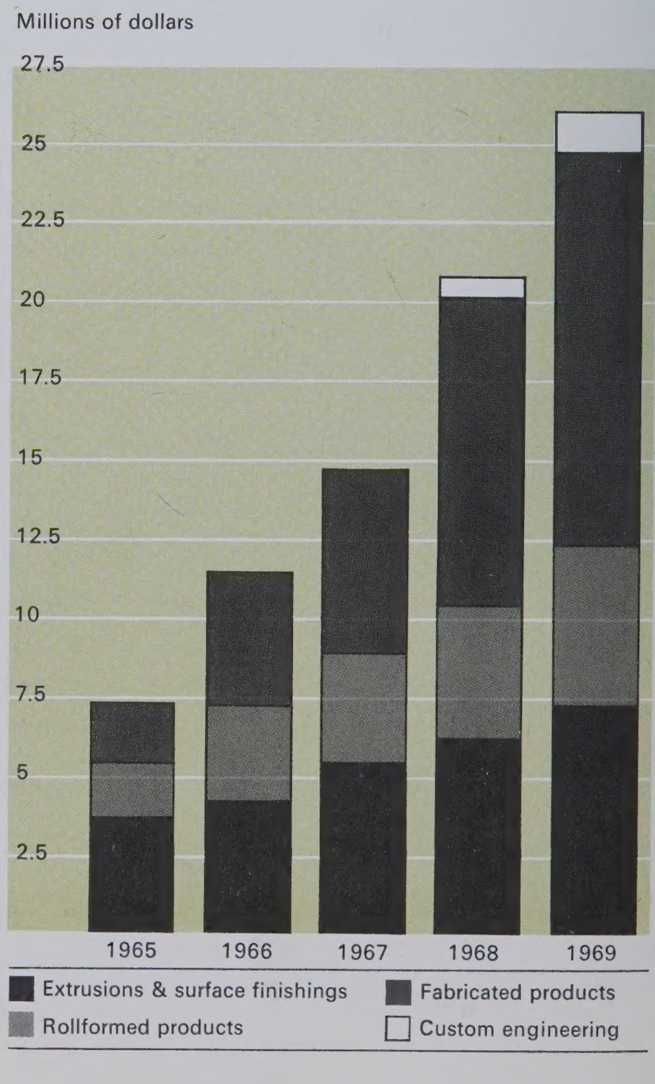
In March, 1969 an 85% interest was acquired in Hialco Manufacturing Limited shortly followed by the acquisition of all the issued share capital of Reliance Windows Limited. These companies were engaged in the manufacture of aluminum building products, principally for use in the Province of British Columbia. They thus provide us with an opportunity for creating an integrated complex in British Columbia similar to that in Eastern Canada. The operations of these two companies were subsequently merged under the name of Hialco-Reliance Mfg. Ltd. and have recently been rationalized in a new 32,000 square foot plant located adjacent to the Port Coquitlam extrusion, anodizing and paint plants of Indalex Limited. Your Company has an 85% interest in this merged operation.

Also in March, 1969 a new company, RAM Partitions Limited was incorporated to manufacture operable walls and partitions. Your Company has a 70% interest in RAM which commenced operations in August, 1969 in a new 25,000 square foot plant in Brampton, Ontario.

In August, 1969 your Company acquired the remaining 50% of Mississauga Aluminum Industries Limited and intends to concentrate its production of aluminum extrusions for the trim industry in that company.

Subsequent to the year-end your Company entered into an agreement with Interprovincial Diversified Holdings Limited to form an equal partnership to purchase the business of Western Aluminum Products Limited, a

Sales Analysis



Calgary-based manufacturer of aluminum building products. This company is expected to have had sales in excess of $4 million in the calendar year 1969 and has enjoyed sharply rising profits over the last four years. As an extremely well-managed business it will give your Company a very important position in the Prairie Provinces in the manufacture and supply of aluminum products for commercial and residential construction as well as the trailer and mobile home industry. Western Aluminum Products will, in addition, be a significant user of aluminum extrusions and hardware produced by group companies.

Financing

Pursuant to an underwriting agreement, entered into during the year, your Company sold to the public 100,000 common shares at a price of $14.10, the proceeds of which sale were used, in part, to repay term loans and unsecured notes in the aggregate amount of $810,000. The common shares of your Company are now listed on the Toronto Stock Exchange. Also during the year the Company entered into a term loan agreement with a Canadian chartered bank for a five-year term loan of $2,000,000, the proceeds of which were used to repay a Euro-dollar loan of similar amount.

OPERATING REPORT

Aluminum Extrusions and Surface Finishing

The extruding and finishing operations of Indalex Limited – the most widely based undertaking in this field in Canada – had another year of sales and profit growth. A new anodizing and polishing plant went into production in July as part of the Toronto complex, adding an important new dimension to the range of services we can offer customers in Eastern Canada. Our Montreal Plant was affected by the general slowness of the economy in Quebec during the year and there was a temporary fall-off in business in Calgary during the mid-summer months. Our new plant in Port Coquitlam, British Columbia, had its first full year of operation and built up sales volume to a level which by the end of the year became profitable. New paint line and anodizing facilities are currently being installed adjacent to the British Columbia extrusion press, making this another fully integrated complex. During the last two months of the fiscal period tonnage pushed at all our extrusion plants was at a high level.

Doors and Windows

The production of storm doors, storm windows, prime windows and trailer windows remained high, although the construction strike undoubtedly had an effect on our shipments of prime windows going into new construction. The strike affected shipments rather than sales and as a consequence we are entering the new fiscal period with a large back-order book. Trailwind Products Division, manufacturing accessories and windows for the mobile home industry, will be moving in January, 1970, into new premises that will double the present productive floor area. Hialco-Reliance Mfg. Ltd., our new British Columbia window plant, has facilities second-to-none in that market now that the move to the new plant in Port Coquitlam has been completed.

Commercial and Institutional Architectural Products

Commercial Aluminum Products Limited, our company engaged in the manufacture of commercial doors, entrances and architecturally designed products, had an excellent year. The continued growth in sales and profit was achieved despite the construction and glaziers' strikes. It was further achieved in the face of increased overhead costs the company had to bear by doubling the plant size during the early part of the year with a view to further expansion of this business.

Our new company, RAM Partitions Limited, manufactures folding fabric doors and movable flat walls used in educational institutions of all kinds, offices, hotels, motels and hospitals. Although only in production since August, architect acceptance of its product line has been exceptionally good and we are very encouraged by the amount of business that has already been booked.

Accessories and Hardware

Although our hardware company, Fashion Grilles Limited, had another satisfactory year, it would undoubtedly have been better if operations had not been disrupted by a move to new, larger plant facilities. The move was originally planned to take place during the quietest business months but completion of the new building was delayed by the construction strike and eventually took place during the busy period. The com-

pany is now well settled into the new plant and we are confident we can now look forward to the rate of growth we have experienced in the past.

Rollforming

The Group companies rollforming aluminum and steel products again had a most satisfactory year and made a significant contribution to our total profit. Westland Metals Limited in Vancouver purchased a new twenty-stand rollforming mill for the manufacture of metal roof deck. Operations at both Westland Metals Ltd. and Eastland Metals Ltd. were affected by the steel strike at the Steel Company of Canada as sufficient supplies of steel could not be obtained to produce all the business on hand. Their performance is therefore all the more encouraging.

Ladders

We continued to enjoy a large portion of the total ladder market which absorbed a large volume of metal from our extrusion company. However, prices of ladders were very depressed owing to intensive competition. We are hopeful there may be some improvement of margins in the new year.

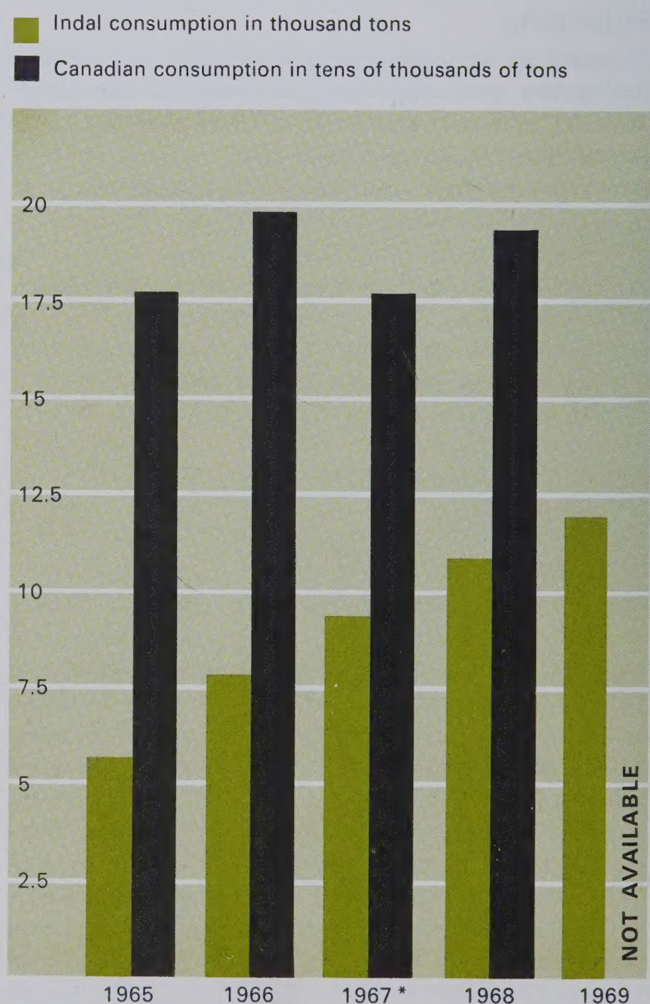
Design Engineering

Dominion Aluminum Fabricating Limited, our design engineering company, had a slow and disappointing year. As this company designs and manufactures large projects mainly for Government Departments, both in Canada and abroad, its flow of invoiced sales can vary substantially from year to year. In the year under review there were cut-backs in spending by U.S. Government Departments resulting in a delay for helicopter hangar contracts that had been anticipated. We are pleased to report that the current backlog at this company is almost three times the amount that existed at this time last year and we therefore expect the year we have just begun to be busy and profitable.

General

As already stated, the year ending October 31, 1969 was not an easy one. This has been a year that has been affected by strikes, high interest rates, a shortage of money, and the general deflationary pressures brought to bear by the Federal Government. Costs continued to rise whilst price competition for our products remained extremely keen. As it is not always possible to offset these rising costs in the short term by increased selling prices, we have intensified our policy of upgrading and diversifying plant and production facilities in order to improve efficiency and the range of products and services we can offer. We are encouraged by the fact we have been able to show a continuing pattern of growth despite the business climate prevailing during the year.

Consumption of Aluminum Extrusions and other Wrought Aluminum Products



1965	1966	1967 *	1968	1969
3.2%	4.1%	5.3%	5.6%	– %

Indal consumption as a percentage of Canadian consumption

* Estimated 12 month usage.

In addition to these general problems common to all Canadian industry your Group has incurred, in the year under review, some significant and exceptional costs in bringing into operation new plant facilities; by moving a number of the subsidiaries into larger, more suitable premises (involving some disruption and higher overheads); by acquiring and then rationalizing three businesses; and by promoting a completely new company. All these steps, although an important investment for the future, had the effect in the year under review of reducing pre-tax profits by approximately $250,000. They have now all been completed and should contribute to the earnings of the current year and progressively thereafter.

The operating heads of our various subsidiaries and their loyal staffs have once again demonstrated their ability to keep our Group the leading independent aluminum fabricator in Canada. We extend to all of them our thanks and gratitude for a job well done.

Conclusion and Prospects

Some recent economic forecasts for Canada have been cautious whilst others have been more optimistic. As far as our Group of companies is concerned we are optimistic. We are primarily concerned with the fabrication of aluminum products. World consumption of aluminum is rising by 7% to 9% per annum but at a much higher rate for most of the products in which your Group specializes.

It is to exploit this underlying growth of demand that we have undertaken the acquisitions, expansion and modernization of facilities already outlined in this report.

We therefore believe that, subject to unforeseen circumstances, we have good reason for optimism and anticipate that the current year will be one of substantial growth and progress.

DENNIS FREDJOHN, Chairman
WALTER E. STRACEY, President

Indalprime Division of Indal Canada Limited is supplying and installing the windows for the 43-storey Leaside Towers, Canada's tallest apartment building now under construction in Toronto. Developers: Leaside Towers Apartment Limited, a joint venture of Goldlist Construction Limited and London Life Insurance Company. Architect: Alexander Benedek.

INDAL CANADA LIMITED
and Subsidiary Companies
CONSOLIDATED BALANCE SHEET
as at October 31, 1969

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	$ 620,951	$ 569,604
Accounts receivable – trade	6,429,458	4,701,278
Accounts receivable – affiliates	4,914	49,152
Inventories (note 2)	3,494,744	2,864,577
Other accounts receivable and prepaid expenses	346,585	291,810
Refundable taxes	26,958	32,104
	10,923,610	8,508,525
INVESTMENT IN OTHER COMPANY – at cost (note 3)	—	50,830
FIXED ASSETS (note 4)	5,043,375	3,836,357
INTANGIBLE ASSETS		
Excess of cost of investment in shares of subsidiaries over book value of net assets	4,875,020	4,464,234
Deferred charges less amortization (note 5)	169,386	42,495
	5,044,406	4,506,729
	$21,011,391	$16,902,441

Signed on behalf of the Board
T. I. RONALD, Director
W. R. TUER, Q.C. Director

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Bank advances (note 6)	$ 2,368,067	$ 1,112,372
Accounts payable – trade	4,072,925	3,431,759
Accounts payable – affiliate	52,891	75,469
Other accounts payable and accrued charges	1,111,985	637,881
Income taxes payable	784,872	509,020
Current portion of deferred liabilities (note 7)	372,366	361,697
	8,763,106	6,128,198
DEFERRED LIABILITIES less current portion (note 7)	3,019,327	3,678,994
DEFERRED INCOME TAXES	746,439	672,092
MINORITY SHAREHOLDERS' INTEREST IN SUBSIDIARY COMPANIES	246,541	245,389
	$12,775,413	$10,724,673

SHAREHOLDERS' EQUITY

	1969	1968
CAPITAL STOCK (notes 8, 9 and 10)		
Authorized –		
225,001 6% cumulative preferred shares of the par value of $10 each, redeemable at 103%		
1,500,000 common shares of no par value		
Issued and fully paid –		
175,001 preferred shares	$ 1,750,010	$ 1,833,340
948,778 common shares	4,409,800	2,798,000
RETAINED EARNINGS	2,076,168	1,546,428
	8,235,978	6,177,768
	$21,011,391	$16,902,441

INDAL CANADA LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the year ended October 31, 1969

	1969	1968
EARNINGS		
Sales	$26,077,348	$20,760,341
Cost of sales	20,224,596	16,064,342
Gross profit	5,852,752	4,695,999
Expenses	4,096,496	3,044,324
Selling and distribution	1,787,090	1,235,868
Administration	1,788,147	1,342,974
Financial	521,259	465,482
	1,756,256	1,651,675
Other income less expenses	157,402	181,150
Earnings before income taxes (note 12)	1,913,658	1,832,825
Income taxes (notes 13 and 15)	1,016,188	981,206
Earnings after income taxes and before minority shareholders' interest	897,470	851,619
Minority shareholders' interest	16,593	68,470
Earnings for the year before extraordinary items	880,877	783,149
Extraordinary items (note 14)	(22,225)	143,029
Net earnings for the year	$ 858,652	$ 926,178
RETAINED EARNINGS		
Retained earnings – beginning of year		
As previously reported	$ 1,546,428	$ 887,023
Prior years' adjustments (note 15)	25,066	12,889
As restated	1,521,362	874,134
Add: Net earnings for the year	858,652	926,178
	2,380,014	1,800,312
Less: Share issue expenses, less related income tax reduction	16,763	—
	2,363,251	1,800,312
Less: Dividends paid –		
Preferred shares	108,750	113,750
Common shares	178,333	165,200
	287,083	278,950
Retained earnings – end of year	$ 2,076,168	$ 1,521,362

INDAL CANADA LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended October 31, 1969

	1969	1968
SOURCE OF FUNDS		
Operations –		
Net earnings before charging minority shareholders' interest and extraordinary items	$ 897,470	$ 851,619
Extraordinary items	(22,225)	143,029
Net earnings	875,245	994,648
Charges not requiring use of funds –		
Depreciation and amortization	1,044,111	751,498
Deferred taxes	45,898	172,269
	1,965,254	1,918,415
Issue of shares	1,611,800	28,000
Other	13,664	(38,377)
Total source of funds	$ 3,590,718	$ 1,908,038
APPLICATION OF FUNDS		
Purchase of fixed assets	$ 1,940,987	$ 906,612
Investments	489,289	1,690,135
Decrease (increase) in deferred liabilities	663,832	(1,862,914)
Dividends – preferred shares	108,750	113,750
– common shares	178,333	165,200
Dividends to minority shareholders in subsidiary companies	15,100	50,310
Redemption of preferred shares	74,081	73,814
Share issue expenses	16,763	—
Deferred expenses	216,288	—
Prior period adjustments	25,066	12,889
Total application of funds	3,728,489	1,149,796
(Decrease) increase in working capital attributable to operations	(137,771)	758,242
(Decrease) increase in working capital attributable to subsidiaries acquired during the year	(82,052)	221,421
(Decrease) increase in working capital for the year	(219,823)	979,663
WORKING CAPITAL	$ 2,160,504	$ 2,380,327

INDAL CANADA LIMITED
and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended October 31, 1969

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiaries (companies more than 50% owned). All inter-company items and transactions between subsidiaries, including profits in inventories, have been eliminated.

The results of three subsidiaries acquired during the year have been included in the consolidated statement of earnings from their effective dates of acquisition which, in two cases, were March 1, 1969 and, in the case of the third subsidiary, was August 1, 1969.

Up to July 31, 1969 the group held a 50% interest in the latter company. The loss for the period to July 31, 1969 attributable to the group's interest in this company amounted to $23,456.

2. INVENTORIES—valued at the lower of cost or net realizable value

	1969	1968
Raw materials	$2,546,691	$2,138,697
Work in progress	217,781	117,495
Finished goods	730,272	608,385
	$3,494,744	$2,864,577

3. INVESTMENT IN OTHER COMPANY

	1969	1968
Mississauga Aluminum Industries Limited	—	$ 50,830

4. FIXED ASSETS

	Cost	Accumulated depreciation	1969 Net	1968 Net
Land	$ 311,582	—	$ 311,582	$ 271,407
Buildings	1,556,050	$ 126,357	1,429,693	1,000,309
Equipment	3,848,298	1,446,161	2,402,137	1,831,568
Leasehold improvements	309,597	66,637	242,960	154,674
Office furniture and equipment	202,389	79,468	122,921	81,349
Motor vehicles	223,416	109,536	113,880	54,748
Construction in progress	—	—	—	60,442
	$6,451,332	$1,828,159	$4,623,173	$3,454,497
Tools and dies at cost less amounts written off			420,202	381,860
			$5,043,375	$3,836,357

On July 29, 1966, a subsidiary purchased property at a total cost of $268,710 and at the same date Cooper Appraisals Limited appraised the replacement value at $383,806. Accordingly, the subsidiary increased the value of the property in its books by $115,096 and created an appraisal surplus of like amount. Since the appraisal surplus arose prior to the date of acquisition of a controlling interest in the subsidiary by Indal Canada Limited, in these financial statements the surplus has served to increase minority shareholders' interest in subsidiary companies and reduce excess of cost of investment in shares of subsidiaries over book value of the net assets. All other fixed assets are carried at cost.

Depreciation recorded in the accounts is calculated at straight-line rates based on the estimated useful lives of the respective assets.

5. DEFERRED CHARGES LESS AMORTIZATION

	1969	1968
Preproduction expenses	$ 136,620	$ 25,996
Financing expenses	17,670	16,499
Patents and licences	15,096	—
	$ 169,386	$ 42,495

It is the Company's intention to write-off unamortized preproduction expenses and financial expenses over various periods ending October 31, 1972 and patents and licences, as to $5,306 over the 9 years ending October 31, 1978 and, as to $9,790 over the 11 years ending October 31, 1980.

6. BANK ADVANCES

Bank advances are secured by the pledge of inventories and book debts in certain subsidiaries.

7. DEFERRED LIABILITIES

	1969		1968	
	Deferred portion	Current portion	Deferred portion	Current portion
9½% Term loan payable annually commencing December 31, 1969 first instalment $200,000 increasing by $100,000 annually	$1,800,000	$ 200,000	—	—
8¼% 1st mortgage payable in monthly instalments of $4,629 to March 1, 1989	535,634	7,166	—	—
7% 1st mortgage payable in monthly instalments of $369 to February 1, 1989	39,436	1,111	—	—
8¼% 1st mortgage payable in monthly instalments to August 1, 1986	255,032	4,968	$ 165,965	$ 4,770
7½% 2nd mortgage payable in monthly instalments to September 23, 1971	23,100	25,200	48,300	25,200
8% Debenture payable in semi-annual instalments of U.S. $50,000 to December 1, 1973	321,600	107,200	428,800	107,200
Equipment financing payable in varying amounts up to March 31, 1975	44,525	26,721	14,053	10,730
7⅞% Euro-dollar loan (U.S. $1,875,000) payable November 13, 1970	—	—	2,012,109	—
8¼% Term loan (U.S. $450,000) payable in five annual instalments of U.S. $90,000 to August 1, 1973	—	—	385,987	96,497

7⅝% 1st mortgage payable in monthly instalments to May 1, 1981	—	—	385,280	19,300
7% Note payable in three annual instalments of $52,000 commencing March 29, 1969	—	—	104,000	52,000
7% Note payable in three annual instalments of $40,000 and one instalment of $50,000 commencing February 1, 1969	—	—	130,000	40,000
7% Debenture payable in monthly instalments to July 23, 1970	—	—	4,500	6,000
	$3,019,327	$ 372,366	$3,678,994	$ 361,697

8. CAPITAL STOCK

During the year 8,333 preferred shares were redeemed for a cash consideration of $74,081.

On December 5, 1968 the company received supplementary letters patent increasing the authorized common share capital to 1,500,000 shares.

In February, 1969 pursuant to an underwriting agreement entered into on January 21, 1969 the company sold 100,000 common shares at a price of $14.10 per share. In March, 1969 the company issued a further 8,718 common shares in exchange for an 85% interest in Hialco Manufacturing Limited. During the year 3,560 common share purchase warrants were exercised at a price of $5.00 per share.

9. SHARE PURCHASE WARRANTS

There were 76,440 common share purchase warrants outstanding at the balance sheet date. These warrants expire December 31, 1975 and may be exercised at a price of $5.00 per share, which price is subject to adjustment.

10. STOCK OPTIONS

At October 31, 1969 options were outstanding to directors of the company on 7,000 common shares at $4 per share expiring January 11, 1972. During the year options were exercised on 3,500 shares at a price of $4 per share.

11. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

(a) Indal Canada Limited has agreed to acquire, on request from the present minority shareholders of five subsidiaries, their shareholdings in those companies at prices based on the profits earned. The cost, based on profits to October 31, 1969, would be approximately $248,500.

(b) Unrecorded capital commitments in respect of the acquisition of additional fixed assets, including commitments made after the year end, amount to approximately $126,312.

(c) In a cross claim in an action brought by a subsidiary to recover a deposit from a supplier, the subsidiary has been sued for damages and loss of profits and reputation in an aggregate amount of approximately U.S. $350,000. In the opinion of counsel there is no merit in any part of this cross claim.

(d) In a further cross claim in an action brought by the company and a subsidiary to recover amounts due by a former owner of that subsidiary the company and the subsidiary have been sued for damages in the amount of $40,000. In the opinion of counsel this cross claim will not be successful.

12. EARNINGS BEFORE INCOME TAXES

(a) Earnings before income taxes are stated after charging:	1969	1968
Depreciation	$ 488,133	$ 357,961
Amortization of tools and dies	466,000	356,063
Amortization – other	89,978	37,474
Auditors' remuneration	42,039	33,253
Directors' emoluments –		
In respect of service as directors	2,000	2,000
In respect of other services	161,500	140,279
Interest on deferred liabilities	317,590	254,504
And after crediting –		
Rental income	14,207	30,556

(b) Rents paid in respect of leased land and buildings and charged in arriving at the consolidated earnings for the period amounted to $377,048 (1968 – $252,265). Minimum aggregate rentals payable under long-term lease contracts amounted to $3,034,358

13. INCOME TAXES

The income taxes based on the profits of the year are made up of:

	1969	1968
Income taxes applicable to the year	$ 983,176	$ 783,647
Deferred income taxes	33,012	197,559
	$1,016,188	$ 981,206

14. EXTRAORDINARY ITEMS

The 1969 extraordinary item represents the loss on winding up of Alberta Metalcraft Limited and mostly relates to the write-off of goodwill on consolidation attributable to that company. The operations of Alberta Metalcraft Limited are now carried on by Westland Metals Limited.

The 1968 extraordinary item represents reduction of income taxes on the application of losses of prior years.

15. PRIOR YEARS' ADJUSTMENT

During the year additional liability for income taxes of $25,066 was determined, of which amount $12,177 was applicable to the year ending October 31, 1968 and the balance to preceding years. Accordingly, retained earnings at October 31, 1968 have been restated to reflect a retroactive charge of $25,066. For comparative purposes income tax expense for 1968 has been increased by $12,177 and retained earnings at the beginning of the 1968 year charged with $12,889.

16. DIVIDENDS DECLARED

In October 1969 the company declared dividends amounting to $26,250 on the 175,001 preferred shares and $47,439 on the 948,788 common shares. These dividends were paid subsequent to the year end.

17. SUBSEQUENT EVENTS

(a) The company has exchanged letters of intent with other parties which contemplate that the company will acquire a 50% interest in a joint venture in a business which complements the companies' present operations for a consideration of $1,250,000. This consideration may be satisfied in whole or in part by the issuance of debentures convertible into common shares of the company.

(b) The company has entered into an agreement which contemplates that certain properties having a net book value of $1,167,469 will be sold for a consideration of $1,308,000 and leased back for a twenty-five year period at an annual rental of $141,861.

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 366-2551
120 ADELAIDE STREET WEST
TORONTO 110, CANADA

December 12, 1969

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Indal Canada Limited and subsidiary companies as at October 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

INDAL CANADA LIMITED

A SUMMARY OF OPERATIONS SINCE INCORPORATION

	1969	1968	1967 (15 months)	1966	1965
Sales	$26,077,348	$20,760,341	$19,811,675	$11,433,622	$ 7,314,944
Net earnings for period	$ 880,877[1]	$ 783,149[2]	$ 516,968	$ 363,876	$ 234,129
Indal Canada Limited preferred dividends	$ 108,750	$ 113,750	$ 148,750	$ 79,200	—
Average number of common shares outstanding	917,127	826,537	618,403	562,712	550,000
Earnings per common share[3] (after preferred dividends)	84.2c.	81.0c.	59.5c.	50.6c.	42.6c.
Dividend per common share	20c.	20c.	—	—	—
Common shareholders' equity	$ 6,485,968	$ 4,344,428	$ 3,657,023	$ 2,344,805	$ 1,840,129
Book value per common share	$6.84	$5.22	$4.43	$3.97	$3.35
Purchases of fixed assets	$ 1,940,987	$ 906,612	$ 1,191,399	$ 1,806,243	$ 231,000
Cash generation	$ 1,965,254	$ 1,918,415	$ 1,600,946	$ 992,385	$ 683,448

(1) Before charging an extraordinary item of $22,225 (equivalent to 2.4c. per common share).

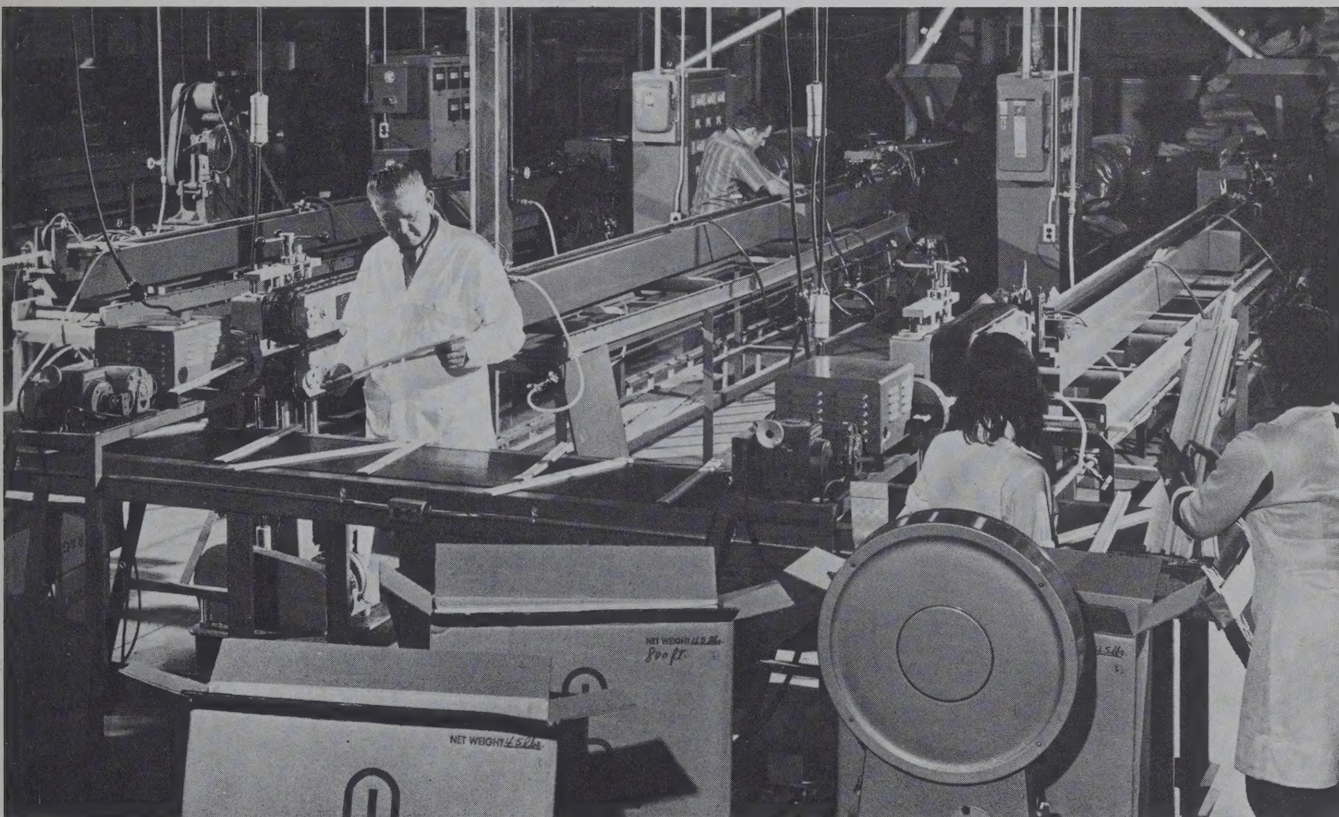
(2) Before crediting an extraordinary item of $143,029 (equivalent to 17.2c. per common share).

(3) Earnings per common share have been calculated on the weighted average number of common shares outstanding during the year. The earnings per common share for the years 1965 to 1968 have been restated accordingly.

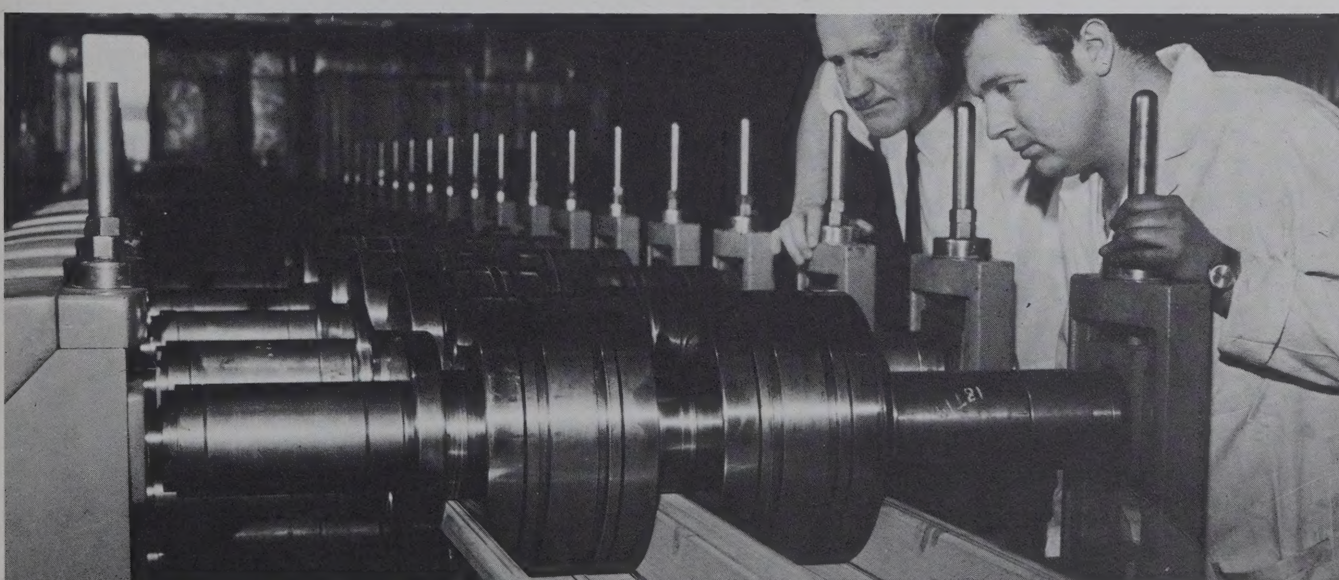
INDAL CANADA LIMITED
OPERATING SUBSIDIARIES AND DIVISIONS

Aluminum store fronts, doors and entrances	**COMMERCIAL ALUMINUM PRODUCTS LIMITED, Toronto** G. B. READING, President
Rollformed aluminum sections	**CUSTOM ROLLFORMING COMPANY LIMITED, Toronto** H. M. RICH, President
Aluminum railings, flagpoles, light standards, highway trusses and helicopter hangars	**DOMINION ALUMINUM FABRICATING LIMITED, Toronto** M. R. MAYNARD, President
Rollformed steel and aluminum industrial and agricultural roofing and siding	**EASTLAND METALS LIMITED, Toronto** C. H. WILSON, President
Aluminum grilles, awnings and hardware for doors and windows	**FASHION GRILLES LIMITED, Toronto** H. M. RICH, President
Aluminum prime windows and patio doors	**HIALCO-RELIANCE MFG. LTD., Port Coquitlam, B.C.** C. WIGHT, President
Aluminum and plastic extrusions, anodizing and painting facilities	**INDALEX LIMITED, Toronto, Montreal, Calgary, Port Coquitlam, B.C.** J. D. MACKLEM, President O. C. PEGG, Toronto Manager S. D. BLACK, Montreal Manager E. HESHKA, Calgary and Port Coquitlam Manager
Aluminum prime windows	**INDALPRIME DIVISION, Toronto** H. LAZAR, General Manager
Aluminum windows and doors, trailer windows and accessories	**INDAL PRODUCTS LIMITED, Toronto** T. I. RONALD, President C. G. CLARKE, General Manager
Aluminum ladders	**LITE METAL (PRODUCTS) LIMITED, Toronto** WALTER E. STRACEY, President C. G. CLARKE, General Manager
Aluminum extrusions	**MISSISSAUGA ALUMINUM INDUSTRIES LIMITED, Toronto** J. D. MACKLEM, President
Folding doors, operable walls and partitions	**RAM PARTITIONS LIMITED, Brampton** R. A. MORDEN, President
Rollformed steel and aluminum industrial, agricultural roofing and siding and rainwater goods	**WESTLAND METALS LIMITED, Vancouver, Calgary** R. B. LEESON, President E. ABERCROMBIE, General Manager

Production of extruded polyethylene track for toy racing cars at Thermo Plastics Division, Indalex Limited, Toronto.



New cold rollforming mill installed in the Vancouver plant of Westland Metals Limited.



INDAL CANADA LIMITED